

COMMITTEE ON LEGISLATIVE RESEARCH
OVERSIGHT DIVISION

FISCAL NOTE

L.R. No.: 5731-01
Bill No.: SB 790
Subject: Economic Development; Historic Preservation; Housing; Revenue Department;
Tax Credits
Type: Original
Date: February 22, 2012

Bill Summary: This proposal prohibits the Department of Revenue from redeeming certain tax credits until after June 30, 2013.

FISCAL SUMMARY

ESTIMATED NET EFFECT ON GENERAL REVENUE FUND			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
General Revenue	\$264,473,902	(\$264,473,902)	\$28,500,000
Total Estimated Net Effect on General Revenue Fund	\$264,473,902	(\$264,473,902)	\$28,500,000

ESTIMATED NET EFFECT ON OTHER STATE FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>Other</u> State Funds	\$0	\$0	\$0

Numbers within parentheses: () indicate costs or losses.
This fiscal note contains 7 pages.

ESTIMATED NET EFFECT ON FEDERAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on <u>All</u> Federal Funds	\$0	\$0	\$0

ESTIMATED NET EFFECT ON FULL TIME EQUIVALENT (FTE)			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Total Estimated Net Effect on FTE	0	0	0

☒ Estimated Total Net Effect on All funds expected to exceed \$100,000 savings or (cost).

☐ Estimated Net Effect on General Revenue Fund expected to exceed \$100,000 (cost).

ESTIMATED NET EFFECT ON LOCAL FUNDS			
FUND AFFECTED	FY 2013	FY 2014	FY 2015
Local Government	\$0	\$0	\$0

FISCAL ANALYSIS

ASSUMPTION

Officials at the **Budget and Planning (BAP)** assume this proposal prohibits the redemption of any Low Income Housing Tax Credits from the date of passage and approval of the proposal until 7/1/13. BAP notes that MOLIHTC redemptions in FY11 totaled \$143.1 million, and have been increasing.

This proposal prohibits the redemption of any Historic Preservation Tax Credits from the date of passage and approval of the proposal until 7/1/13. BAP notes that Historic redemptions in FY11 totaled \$107.8 million.

BAP assumes that this will increase General and Total State Revenues by similar amounts in FY 2013. However, to the extent that any credits that would have been redeemed in FY13 are carried over to FY14 or subsequent years, then General and Total State revenues will be reduced by those amounts.

This proposal may impact participation in these programs, which may impact associated economic activity. BAP cannot estimate the induced economic or revenue impacts.

Officials at the **Department of Economic Development (DED)** assume this proposal prohibits the authorization of Historic Preservation tax credits by DED and the redemption of Historic Preservation tax credits by the Department of Revenue from the effective date of the act through June 30, 2013. DED assumes the proposal will have an unknown positive impact on total state revenue in excess of \$100,000 for Fiscal Year 2013 and an unknown negative impact on total state revenue in excess of \$100,000 for subsequent Fiscal Years.

Officials at the **Missouri Housing Development Commission (MHDC)** assume this proposal changes the "shall" to "may" in order to provide for the credit limitation provided in subsection 7 which indicates the Missouri Low Income Housing Tax Credit cannot be authorized or issued beginning the effective date of the act until after June 20, 2013.

MHDC assumes that the fiscal year impacted based upon the effective date of the passage of this proposal will be FY 2013. This proposal would provide that no Missouri Low Income Housing Tax Credit (MOLIHTC) could be authorized in FY 2013. The language indicates until after June 30, 2013. In addition, the legislation also indicates that no MOLITC could be issued in FY 2013.

ASSUMPTION (continued)

The savings from MOLIHTC Authorizations:

Due to the lag time between authorization, issuance and redemptions, the impact of no authorizations in FY 2013 would result in a savings of \$18.5 million starting in FY 2015 and thereafter for ten years.

MOLIHTC Issuances

FY 2013 - The impact on General Revenue would be \$18,500,000 at a minimum or the average amount of credits redeemed yearly. The savings to General Revenue would be immediate in FY 2013.

FY 2014 - Assuming MOLIHTC developments whose issuances had been delayed could then receive MOLIHTC credits in years going forward, the impact of those credits would take place in Fiscal Year 2014 and would result in a reduction to General Revenue. These developments have been authorized in previous years, constructed, and are ready to receive their MOLIHTC credits.

FY 2015 - The savings in FY 2015 have been created by the suspension in MOLIHTC authorizations in FY 2013; the \$18,500,000 savings will be realized each year, for ten years.

Officials at the **Department of Revenue** assume no impact on the department however, this proposal will have an unknown positive impact on Total State Revenue in FY 2013 and a negative impact in FY 2014.

According to the Tax Credit Analysis submitted by the Missouri Housing Development Commission regarding this program, the Low-Income Housing tax credit program has had and projects the following activity;

	FY 2009	FY 2010	FY 2011	FY 2012 (projected)	FY 2013 (projected)
Certificates Issued (#)	417	303	212	440	238
Projects (#)	57	35	26	50	27
Amount Authorized	\$316,175,550	\$149,068,200	\$102,960,000	\$185,000,000	\$185,000,000
Amount Issued	\$145,997,420	\$155,703,625	\$156,016,305	\$167,967,905	\$167,912,322
Amount Redeemed	\$105,967,104	\$142,141,458	\$143,055,387	\$170,162,272	\$202,405,513

ASSUMPTION (continued)

According to the Tax Credit Analysis submitted by the Department of Economic Development regarding this program, the Historic Preservation tax credit program has had and projects the following activity;

	FY 2009	FY 2010	FY 2011	FY 2012 (projected)	FY 2013 (projected)
Certificates Issued (#)	197	219	161	200	200
Projects (#)	197	219	161	200	200
Amount Authorized	\$211,950,941	\$99,510,175	\$82,839,495	\$100,000,000	\$100,000,000
Amount Issued	\$119,914,948	\$107,229,218	\$116,244,410	\$100,000,000	\$100,000,000
Amount Redeemed	\$186,426,164	\$108,064,200	\$107,767,393	\$110,000,000	\$110,000,000

Oversight assumes this proposal will not allow the Low-Income Housing or the Historic Preservation tax credit to be authorized in FY 2013. Both credits are authorized in one year but redeemed over a ten year period, usually beginning two years later. Therefore, Oversight will show the savings of the authorized amount in FY 2015, the first year they can be redeemed.

Oversight assumes this proposal would prohibit the redemption of the Low-Income Housing and Historic Preservation tax credits in FY 2013. Oversight will use the three year redemption average as the amount of savings achieved in FY 2013 from not allowing redemptions of the credits.

Oversight notes this proposal does not appear to restrict the holders of the tax credits from redeeming those credits in FY 2014. Therefore Oversight will use the three year redemption average as the revenue lost amount in FY 2014.

<u>FISCAL IMPACT - State Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
GENERAL REVENUE			
<u>Revenue Increase</u> - Low-Income Housing tax credits not authorized for one year	\$0	\$0	\$18,500,000
<u>Revenue Increase</u> - Historic Preservation tax credits not authorized for one year	\$0	\$0	\$10,000,000
<u>Revenue Increase</u> - Low-Income Housing tax credits not being redeemed one year	\$130,387,983	\$0	\$0
<u>Revenue Increase</u> - Historic Preservation tax credits not being redeemed one year	\$134,085,919	\$0	\$0
<u>Revenue Reduction</u> - Low- Income Housing tax credits being redeemed	\$0	(\$130,387,983)	\$0
<u>Revenue Reduction</u> - Historic Preservation tax credits being redeemed	\$0	(\$134,085,919)	\$0
ESTIMATED NET EFFECT ON GENERAL REVENUE	<u>\$264,473,902</u>	<u>(\$264,473,902)</u>	<u>\$28,500,000</u>

<u>FISCAL IMPACT - Local Government</u>	FY 2013 (10 Mo.)	FY 2014	FY 2015
	<u>\$0</u>	<u>\$0</u>	<u>\$0</u>

FISCAL IMPACT - Small Business

Small businesses that received these tax credits would be impacted.

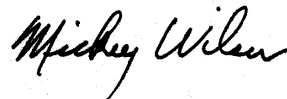
FISCAL DESCRIPTION

This act prohibits the Department of Revenue from allowing or redeeming any tax credit issued under the Low-Income Housing tax credit program and the Historic Preservation tax credit program from the effective date of the act until after June 30, 2013.

This legislation is not federally mandated, would not duplicate any other program and would not require additional capital improvements or rental space.

SOURCES OF INFORMATION

Budget and Planning
Department of Economic Development
Department of Revenue

A handwritten signature in black ink that reads "Mickey Wilson". The signature is written in a cursive, flowing style.

Mickey Wilson, CPA
Director
February 22, 2012